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SUBJECT: COLOM NAMES RUDY VILLEDA TO HEAD GUATEMALAN TAX
ADMINISTRATION

¶1. (U) On August 14, President Colom appointed Rudy Baldemar Villeda Vanegas to lead the Guatemalan Tax Administration Officem following the resignation of Carolina Roca. Villeda has extensive experience in the public sector including one term as President of the National Ports Commission and 21 years at the Ministry of Finance where he served as Director of Government Accounting, Assistant Treasurer, and Vice Minister from June 2007 to January 2008. Villeda left his official functions at the Ministry of Finance following Colom's inauguration, but stayed on as an advisor to the Vice Minister in charge of Financial Administration until July of ¶2008.

¶2. (U) Villeda has big shoes to fill. His predecessor, Carolina Roca, modernized internal controls and tightened management at SAT. Her management of SAT was instrumental in the successful implementation of the "anti-evasion" law implemented in 2006 and under her watch tax collections increased from 11.2 percent of GDP in 2005, the year she took the post, to 12.3 percent of GDP in 2007. Roca told the Ambassador August 18 that Villeda was a decent person, but that he would be challenged to stand up to the powerful influence of tax evaders.

¶3. (SBU) Embassy officers and a visiting Treasury Officer met with Villeda on August 29 to discuss his plans for SAT. Villeda noted his admiration for the work of his predecessor, and pledged to continue the reforms begun by Roca. He expressed appreciation for the training and expertise provided under Treasury's Office of Technical Assistance (OTA) tax policy programs focused on improving six areas: strategic planning, management training, transparency, tax audits, tax collection, and human resource policies. Villeda also appreciated the recent visit of the OTA Financial Enforcement team and he looked forward to increased enforcement support. He hoped that these programs would continue and hoped an extension of the Technical Assistance Agreement could be signed during Treasury Deputy Assistant Secretary McDonald's visit planned for the third week in September.

¶4. (SBU) Villeda briefly discussed fiscal reform pending before Congress. He declined to opine as to whether fiscal reform would be approved, but said that the SAT had already reviewed the law and could quickly adjust its systems to accommodate new regulations. Villeda thought there would be minimal disruption to collections during the change over to a new fiscal regime, if approved by Congress.

¶5. (SBU) Comment: While no contentious issues were discussed, Villeda repeatedly expressed his appreciation for support the Embassy and Treasury have given the SAT and hoped to develop a close working relationship with Embassy counterparts, including holding monthly SAT-USG meetings.

Villeda's experience in public finance and commitment to continuing the reform efforts launched by his predecessor aligns well with the USG focus on institution building and improved tax collection in Guatemala.

McFarland